

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

October 3, 2002

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

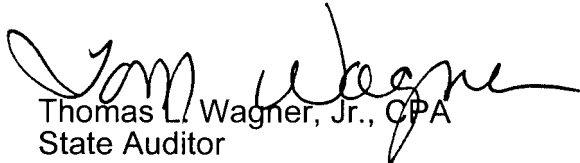
Re: AC# 3-SDV-J9 – GCI Springdale Village, Inc. d/b/a Springdale Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**GCI SPRINGDALE VILLAGE, INC.
D/B/A SPRINGDALE HEALTHCARE CENTER**

CAMDEN, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-SDV-J9**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 3, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Springdale Village, Inc., d/b/a Springdale Healthcare Center, for the contract period beginning October 1, 2000 and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of GCI Springdale Village, Inc., d/b/a Springdale Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

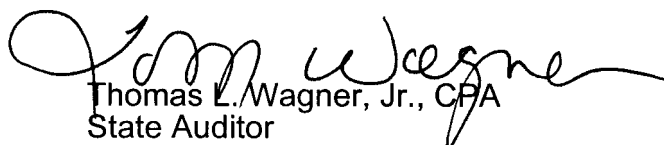
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Springdale Village, Inc., d/b/a Springdale Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Springdale Village, Inc., d/b/a Springdale Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 3, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

SPRINGDALE HEALTHCARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-SDV-J9

10/01/00-
09/30/01

Interim Reimbursement Rate (1)	\$88.63
Adjusted Reimbursement Rate	<u>85.48</u>
Decrease in Reimbursement Rate	\$ <u><u>3.15</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

SPRINGDALE HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-SDV-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$40.54	\$54.01	
Dietary		7.55	10.12	
Laundry/Housekeeping/Maintenance		<u>5.65</u>	<u>8.88</u>	
Subtotal	<u>\$5.11</u>	53.74	73.01	\$53.74
Administration & Medical Records	<u>\$ -</u>	<u>12.91</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		66.65	<u>\$83.56</u>	64.29
<u>Costs Not Subject to Standards:</u>				
Utilities		2.28		2.28
Special Services		.43		.43
Medical Supplies & Oxygen		3.63		3.63
Taxes and Insurance		1.58		1.58
Legal Fees		<u>.27</u>		<u>.27</u>
TOTAL		<u>\$74.84</u>		72.48
Inflation Factor (3.20%)				2.32
Cost of Capital				7.56
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.11
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.36)
Nurse Aide Staffing Add-On 10/01/99				.87
Nurse Aide Staffing Add-On 10/01/00				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$85.48</u>

SPRINGDALE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-SDV-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,125,970	\$ 43,806 (7) 5,578 (8) 7,210 (13)	\$ 43,806 (7) 14,318 (8) 12,150 (11) 9,874 (14)	\$2,102,416
Dietary	399,575	7,590 (13)	828 (8) 1,197 (11) 5,839 (12) 7,552 (14)	391,749
Laundry	4,860	278 (13)	277 (14)	4,861
Housekeeping	219,675	14,755 (13)	40,896 (14)	193,534
Maintenance	95,212	20,526 (13)	235 (8) 97 (10) 1,191 (11) 19,470 (14)	94,745
Administration & Medical Records	741,497	27,820 (13) 2,553 (13)	1,172 (8) 43 (8) 85,040 (10) 13,573 (14) 2,550 (14)	669,492
Utilities	118,421	127 (10) 25,502 (13)	1,129 (11) 24,672 (14)	118,249
Special Services	22,450	74,881 (12)	393 (8) 74,795 (9)	22,143
Medical Supplies & Oxygen	273,195	-	8,862 (4) 12,001 (5) 31,999 (6) 493 (9) 21,939 (11) 9,795 (12)	188,106
Taxes and Insurance	122,513	6,615 (10) 25,885 (13)	4,300 (2) 56,556 (3) 12,313 (14)	81,844
Legal Fees	19,987	851 (13)	6,063 (10) 518 (14)	14,257

SPRINGDALE HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1999
 AC# 3-SDV-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Cost of Capital	358,417	57,240 (13) 31,906 (15)	13,516 (1) 41,027 (10) 763 (14)	392,257
Subtotal	4,501,772	353,123	581,242	4,273,653
Ancillary	185,613	31,999 (6)	-	217,612
Non-Allowable	1,184,499	13,516 (1) 56,556 (3) 5,149 (5) 11,411 (8) 75,288 (9) 125,485 (10) 3,517 (11) 132,458 (14)	59,247 (12) 190,210 (13) 31,906 (15)	1,326,516
Total Operating Expenses	<u>\$5,871,884</u>	<u>\$808,502</u>	<u>\$862,605</u>	<u>\$5,817,781</u>
Total Patient Days	<u>51,859</u>	<u>-</u>	<u>-</u>	<u>51,859</u>
Total Beds	<u>148</u>			

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-SDV-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 395,369	
	Nonallowable	13,516	
	Fixed Assets		\$ 57,068
	Other Equity		338,301
	Cost of Capital		13,516
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accrued Property Taxes	12,942	
	Retained Earnings		8,642
	Taxes and Insurance		4,300
	To adjust property taxes and related accrual HIM-15-1, Sections 2302.1 and 2304		
3	Nonallowable	56,556	
	Taxes and Insurance		56,556
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Retained Earnings	8,862	
	Medical Supplies		8,862
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
5	Retained Earnings	6,852	
	Nonallowable	5,149	
	Medical Supplies		12,001
	To disallow expense not adequately documented and properly charge expense applicable to the prior period HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-SDV-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Ancillary Medical Supplies	31,999	31,999
	To reclassify prescription drug expense to the proper cost center DH&HS Expense Crosswalk		
7	Restorative Nursing	43,806	43,806
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
8	Restorative Nonallowable	5,578 11,411	
	Nursing		14,318
	Dietary		828
	Maintenance		235
	Administration		1,172
	Medical Records		43
	Special Services		393
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Nonallowable	75,288	
	Medical Supplies		493
	Special Services		74,795
	To adjust expense to cost of related organization HIM-15-1, Section 1000		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-SDV-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Utilities	127	
	Taxes and Insurance	6,615	
	Nonallowable	125,485	
	Maintenance		97
	Administration		85,040
	Legal		6,063
	Cost of Capital		41,027
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19		
11	Intercompany	2,750	
	Bed Hold Revenue	9,400	
	Miscellaneous Income	21,939	
	Nonallowable	3,517	
	Nursing		12,150
	Dietary		1,197
	Maintenance		1,191
	Utilities		1,129
	Medical Supplies		21,939
	To properly offset income against related expense and reclassify expense to the proper cost center		
	HIM-15-1, Sections 2102.3, 2105.3, 2106 and 2328		
	State Plan, Attachment 4.19D		
12	Special Services	74,881	
	Dietary		5,839
	Medical Supplies		9,795
	Nonallowable		59,247
	To adjust special (ancillary) services reimbursed by Medicare		
	State Plan, Attachment 4.19D		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-SDV-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Restorative	7,210	
	Dietary	7,590	
	Laundry	278	
	Housekeeping	14,755	
	Maintenance	20,526	
	Administration	27,820	
	Medical Records	2,553	
	Legal	851	
	Utilities	25,502	
	Taxes and Insurance	25,885	
	Cost of Capital	57,240	
	Nonallowable		190,210
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
14	Nonallowable	132,458	
	Restorative		9,874
	Dietary		7,552
	Laundry		277
	Housekeeping		40,896
	Maintenance		19,470
	Administration		13,573
	Medical Records		2,550
	Legal		518
	Utilities		24,672
	Taxes and Insurance		12,313
	Cost of Capital		763
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-SDV-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
15	Cost of Capital Nonallowable	31,906	31,906
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>1,266,616</u>	\$ <u>1,266,616</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

SPRINGDALE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-SDV-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>148</u>
Deemed Asset Value	5,352,420
Improvements Since 1981	200,886
Accumulated Depreciation at 9/30/99	<u>(953,915)</u>
Deemed Depreciated Value	4,599,391
Market Rate of Return	<u>.060</u>
Total Annual Return	275,963
Return Applicable to Non-Reimbursable Cost Centers	(1,928)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	274,035
Depreciation Expense	124,603
Amortization Expense	2,205
Capital Related Income Offsets	(7,823)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(763)</u>
Allowable Cost of Capital Expense	392,257
Total Patient Days (Minimum 96% Occupancy)	<u>51,859</u>
Cost of Capital Per Diem	\$ <u><u>7.56</u></u>

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